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Direct Loan Servicing Reengineering IPT Summary

To date the DLSR IPT has completed several tasks and conducted several events towards its goals which are “to reduce cost while improving service to students and schools.”

The effort began in November 1999 by determining the scope of the DLSR IPT. In order to organize the work which needed to be completed, it was determined that the IPT would analyze and document the current environment of the Direct Loan Program. This would include both systems and process flows. Next, reengineering options for the program would be developed to assist in determining the focus areas for improvements. These reengineering options would then be used as a foundation for the development of business cases.

1.0 Direct Loan Servicing Reengineering IPT Approach

1.1 Analysis and Decision Making Process

The approach was designed to:

- ensure all stakeholders were able to provide input
- understand the current environment and the associated costs
- utilize best practices from the financial industry where appropriate

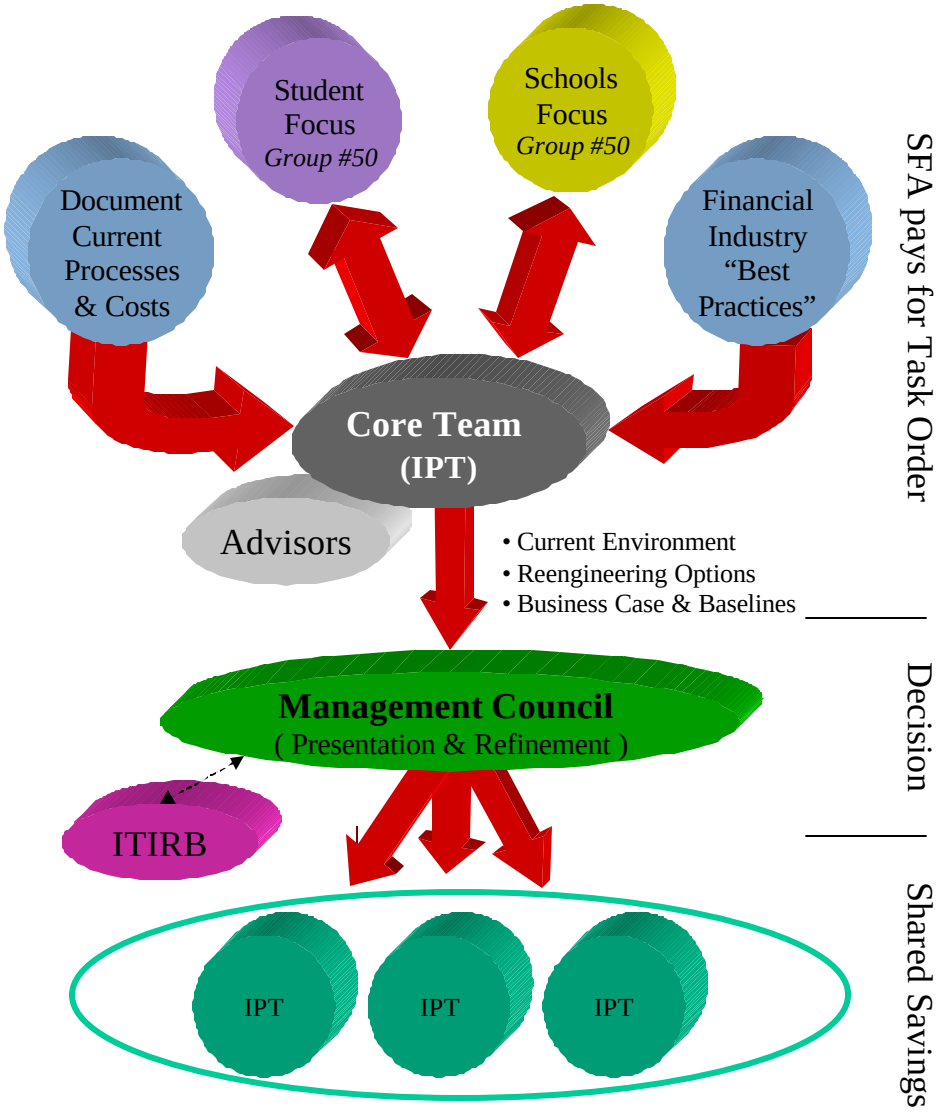

Figure 1-1. DLSR IPT Process Flow

This approach will produce a series of business cases for the recommended reengineering options. Each of the business cases will be presented to the Management Council for

approval. Once approved, IPTs will be established for the development of each option. Figure 1-1 shows the process flow for information within the DLSR IPT.

1.2 Documentation of Scope

1.2.1 Goals and Objectives

Goals

The goal of the Direct Loan Servicing Reengineering (DLSR) Project is to reduce cost while improving service to students and schools.

Scope

The project scope will include the existing processes and systems for Direct Loan Servicing. This includes loan consolidation, central database functions, recording the loan on the servicing system, repayment, early collection efforts, and customer service. The systems review, in whole or part, will include LC, CDS, and DLSS. It will also include a review of commercial off the shelf (COTS) systems.

Specifically excluded are Debt Collection, NSLDS, MDE and FAFSA filing.

Figure 1-2 shows the systems that are in scope and potentially affected by the IPT as well as the annual operating budget of each system.

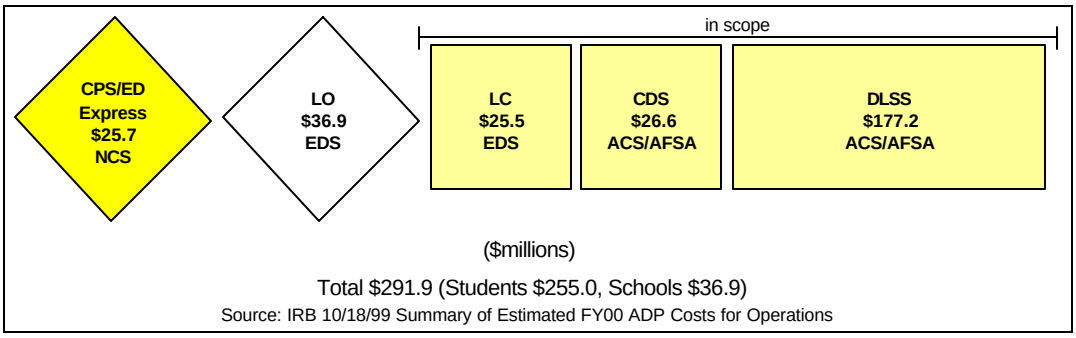

Figure 1-2. FY'00 System Operating Budgets

Success

The deliverables for the project are a Current Environment Assessment, Reengineering Options and Analysis, and a Business Case for each recommended option.

For each system or process, the Current Environment Assessment will contain a list of key functions, who performs these functions, process flows, list of interfaces, volume information, and costs. Also, the assessment will address compliance with current regulations.

A wide audience of SFA employees, contractors, and customers will be exposed to financial services best practices. The Modernization Partner will facilitate a series of seminars and discussions.

The Reengineering Options presentation will include a list of potential changes or improvements to the existing systems processes and who will execute them. The presentation will contain a brief description of each option along with a summary of costs, benefits, and risks.

Document current reengineering initiatives and their impact on the Direct Loan systems and processes. The review will also include estimated costs and recommendations for continuing or canceling each initiative.

A detailed Business Case will be prepared for selected options. The Business Case will include both financial and non-financial costs and benefits. It will also include sourcing of the solution.

1.2.2 Roles and Responsibilities

Core Team

The Core Team will gather information from the various sources (e.g., focus group input, industry best practices, Modernization Blueprint, Customer Service Task Force, etc.), document the current environment, compile the list of reengineering options, and produce the business case for selected options.

Executive Sponsor

The Executive Sponsor is the General Manager for Students. The sponsor is responsible for providing overall leadership, providing status to the Management Council, managing funds, integration, and the final decision to deploy.

Business Requirements

The General Manager of Students and the CFO will be responsible for the business requirements. They will provide leadership during the design phase, define the business requirements, and set service level expectations.

Development Sponsor

The CIO is the Development Sponsor. The CIO will define technical requirements (security, infrastructure, tools, applications, etc.) and ensure the proposed reengineering options comply with IT standards and architecture. The CIO will also provide review of any IT Statements of Work.

Customer Sponsors

Winston Miller, a student intern, will be the Student customer sponsor. The IPA will be the School customer sponsor. They will represent their respective constituencies during the reengineering efforts.

Modernization Partner

The Modernization Partner will provide day-to-day project management and facilitation to the Core Team. It will also coordinate the creation of the project deliverables and the quality assurance process.

Other Team Members

Advisory Members

The heads of Schools, CFO, CIO, Access America for Students, Contracting & Acquisitions, and the Modernization Partner will be Advisors. Their responsibilities will include providing subject matter expertise and performing a critique of the current environment descriptions, reengineering options, and business case.

Contractor Partners

The contractors who deliver these services and manage the SFA legacy systems will participate in the project. These include EDS, ACS, and NCS. This group will provide subject matter experts to assist in the documentation and understanding of the current environment, including systems and process flows, costs, and volumes. The group will help develop the approach for integration within the group and with other contractors.

Customers

Two focus groups will be established with representatives to provide initial customer input and a review of the recommendations.

The roles, responsibilities, and assigned team members of the DLSR IPT are listed in Table 1-1.

Table 1-1. DLSR IPT Roles & Responsibilities

Team Assignment	Roles	Name	Affiliation
Core Team	Executive Sponsor	Jeanne Van Vlandren	Students
	Business Requirements	Dan Hayward Denise Leifeste Tim Branner Paul Stonner Karl Augenstein Marge White	Students, Repayment Students, Consolidation Students CFO Modernization Partner Title IV Delivery
	Development Sponsor	Helene Epstein	CIO
	Customer Sponsors	Winston Miller	Students
Other Team Members	Advisory Members	Kay Jacks	Schools

		Linda Paulsen Steve Hawald Rosemary Beavers Candace Hardesty Charlie Coleman Jeanne Saunders Karen Santos Freeman David Marr	CFO CIO Schools, Title IV Delivery Contracting & Acquisitions Access America for Students Application Processing Communications Modernization Partner
	Contractor Partners	Caroline Raistrick Barbara Anderson Chris Ledman	ACS EDS NCS
	Customers	Interns (Focus Group) Coalition of DL Schools (Focus Group)	Students Schools

1.2.3 Phases

The project will be a collaborative effort. The major phases and purpose of each phase are listed in Table 1-2.

Table 1-2. Phases of DLSR IPT Work

Phase	Purpose
Project Start-up	Define scope; hold kick-off, create draft project plan, identify team members. Modify the scope/plans/team as needed based on input from the General Managers, CIO, CFO and Modernization Partner. Receive authorization to proceed.
Vision Building	Communicate with and gather input from Key Stakeholders 1. Students & Schools focus groups 2. SFA Enterprise—primary & secondary 3. Contractor Partners
Problem Assessment	Review current environment - Document current process flows & costs
Solution Search	Create a preliminary list of reengineering options 1. Document current financial industry best practices 2. Document and quantify reengineering options (include forecast of budget impact to SFA and Contractor Partners) 3. Review proposed list of options with advisors and selected Key Stakeholders
Broader Discussion	Communicate with, gather input from, and gain buy-in from stakeholders 1. Communicate best practices to SFA management and staff (presentation/discussion groups and one site visit) 2. Review proposed options with Students & Schools focus groups 3. Review proposed options with Contractor Partners 4. Review proposed options with SFA stakeholders 5. Produce 2nd draft of options or produce draft recommendations
Final Design	Produce final list of reengineering options and business case(s)
Approval	Submit final list and business case to Management Council (and ITIRB, as appropriate)
Next Steps	Launch detailed design efforts for approved projects

1.2.4 Project Oversight

A weekly status meeting with the Core Team will be established for a review of progress and issues. Other Team Members may attend the meeting, as required.

Progress and issues will be previewed with the project sponsor prior to the weekly status meeting.

An updated project plan will be published.

Advisor meetings will be established to provide input and review the project deliverables.

Success will be indicated by the acceptance by the key stakeholders of the project team recommendations.

2.0 Direct Loan Servicing Reengineering IPT Process

2.1 Direct Loan Servicing Reengineering IPT Events and Participants

The DLSR IPT began meeting in November 1999 to establish the guidelines for the team's work. The following summarizes the meetings, events, and participants that have shaped the DLSR IPT goals.

2.1.1 Core Team Meetings

Table 2-1. Core Team Meetings Summary

Date	Meeting
November 8, 1999	Kick-off meeting with the core team and advisors
November 22, 1999	Determined logistics and scope of DLSR IPT
December 20, 1999	Established data gathering events
January 13, 2000	Reviewed Current Environment Assessment document and discussed the Reengineering Options
January 21, 2000	Determined the top three reengineering options to pursue
February 9, 2000	Presented the reengineering options to the DLSR IPT sponsor
March 28, 2000	Presented the draft business case for the retirement of CDS to the core team and advisors

Table 2-1 summarizes the core team meetings. For further details on the core team meetings, please see the Core Team Meetings summary in Table 4-1 in the Appendix.

2.1.2 SFA Best Practices/Lessons Learned Meeting ("Looking Back")

A meeting was held on November 29, 1999 to discuss SFA's Loan Servicing. The following topics were covered in depth:

- Business Practices / Basic Values
- Lessons Learned
- Best Practices
- Worst Practices
- Ideas
- Constraints

2.1.3 Schools Focus Group

On December 8, 1999, a Schools Focus Group was conducted in order to gather feedback on Direct Loan Servicing from the Schools. The goals of this focus group were to:

- improve the Direct Loan Program
- receive recommendations from schools on how SFA can improve the Direct Lending Program and provide better service to schools and students

Discussion focused on the borrowers at each stage of the Loan cycle. Each area listed below was discussed, as appropriate, for when the borrower is In School, In Grace, In Repayment, Consolidation, and In Collection.

- Customer Service
- Communications
- Data
- Fairness
- Entrance Counseling
- Exit Counseling
- Communication to Borrowers
- Keeping Track of Students
- Deferment / Forbearance
- Access America
- Alternative Loans
- FFELP
- In-School Consolidation
- Automatic Consolidation of Direct Loans
- Billing
- Account Maintenance
- Default Reporting
- Skip Tracing
- NSLDS SSN Conflicts / Data Integrity
- Cohort Default Rate and Appeal
- Discharge
- DCS Remedies
- Write-off Capabilities
- Repayment Options
- Collection Fees

2.1.4 Contractor Involvement

The current systems contractors presented ideas to the core team during the information gathering stage of work. These presentations were given on December 22, 1999 by:

- ACS and AFSA
- EDS

2.1.5 Servicing Best Practices Meeting ("Looking Ahead")

A meeting was conducted on January 12, 2000 to generate ideas through brainstorming for Direct Loan Servicing at SFA and gather suggestions for improvements.

The meeting covered the following topics

I. Introduction by Dan Hayward
II. Brainstorming discussion
    A. How does one vendor promote competition—performance standards / performance based contracts
    B. Networking Solutions
    C. Modules—components that could be purchased / built separately
        1. EBPP
        2. Imaging

3. Payment Processing (payroll deduct and lockbox)
4. Collections
5. Customer Service
6. Skip Tracing
7. Letter Processing (billings/letters)
8. Letter Processing (correspondence)

2.1.6 DLSR IPT Participants

Core Team		Advisors	
Jeanne Van Vlandren	Students	Rosemary Beavers	Schools, Title IV Delivery
Tim Branner	Students	Charlie Coleman	Access America for Students
Helene Epstein	CIO	Candace Hardesty	Contracting & Acquisitions
Dan Hayward	Students, Repayment	Steve Hawald	CIO
Denise Leifeste	Students, Consolidation	Kay Jacks	Schools
Winston Miller	Students	David Marr	Modernization Partner
Paul Stonner	CFO	Linda Paulsen	CFO
Marge White	Title IV Delivery	Karen Santos Freeman	Communications
Karl Augenstein	Modernization Partner	Jeanne Saunders	Application Processing
Other SFA Participants			
Ron Ackerman	Lee Everett	LaTeata Jackson	Mike Murray
Cindy Battle	Adele Gabrielli	Corwin K. Jennings	Glenn Perry
Johan Bos-Beijer	Rich Galloway	Frank Kidd	Daniel L. Pollard
Randall Bowman	Evelyn Gates	Dottie Kingsley	Allen Prodgers
Pat Bradfield	Frank Hesterman	Ben LeBorys	Brian Sullivan
Sandy Busse	Jane Holman	Denise Leifeste	Don Watson
Joyce DeMoss	Gary Hopkins	Mary Grace Lintz	Steve Wingard
Pat Dorn	Candice Hong	Chuck Mahaney	Sterling Yoder
Sandy England	Robert Ingualson	Nicki Meoli	
Schools (Focus Group)			
Albany State University	Kathleen Caldwell	Lane Community College	Ram Robison
Alcorn State University	Lloyd Dixon	Loyola	Wallace Boudet
Case Western Reserve University	Donald Chenelle	Marquette University	Faye Scheil
Central Michigan University	Judy Emmons	Ohio State University	Michelle Meeker
City University of New York	George Chin	Southern Illinois University	Debbie Balsano
Colorado State University	Cheryl Hesser	University of Illinois at Chicago	Marsha Weiss
Cornell University	Karen Gentile Thomas Keane	University of Massachusetts	Judy Keyes
Electronics Institute	Sharon Baldwin	University of Michigan	Margaret Rodriguez
Georgia State University	Gwyndolyn Francis	University of Minnesota	Meg Schmidtbauer
Illinois State University	James Bauer	University of Nevada—Las Vegas	Christopher Stevens
Iowa State University	Roberta Johnson	University of New York	Kimberly Larchman

Johns Hopkins University	Ann Idowu Marsha Harris		
Contractors			
ACS/AFSA	Paul Beck Caroline Raistrick Jim Reeves	EDS	Barbara Anderson Bill McGovern Lee Seward
NCS	Chris Ledman		

3.0 Direct Loan Servicing Reengineering IPT Products

3.1 Current Environment Assessment

The core team developed an assessment of the Direct Loan Program's current environment. This compilation of information from SFA and vendors shows the end-to-end process for information during a borrower's life cycle. The system flow, process flows, and costs were all presented in the document. This synopsis contains the high level systems flow and the system cost and volume summary.

3.1.1 Direct Loan Program's High Level Process Flow

The process flow in Figure 3-1 provides a high level view of the systems that support the Direct Loan Program. The flow demonstrates the general flow, sequence of events, and the "ownership" of each process component.

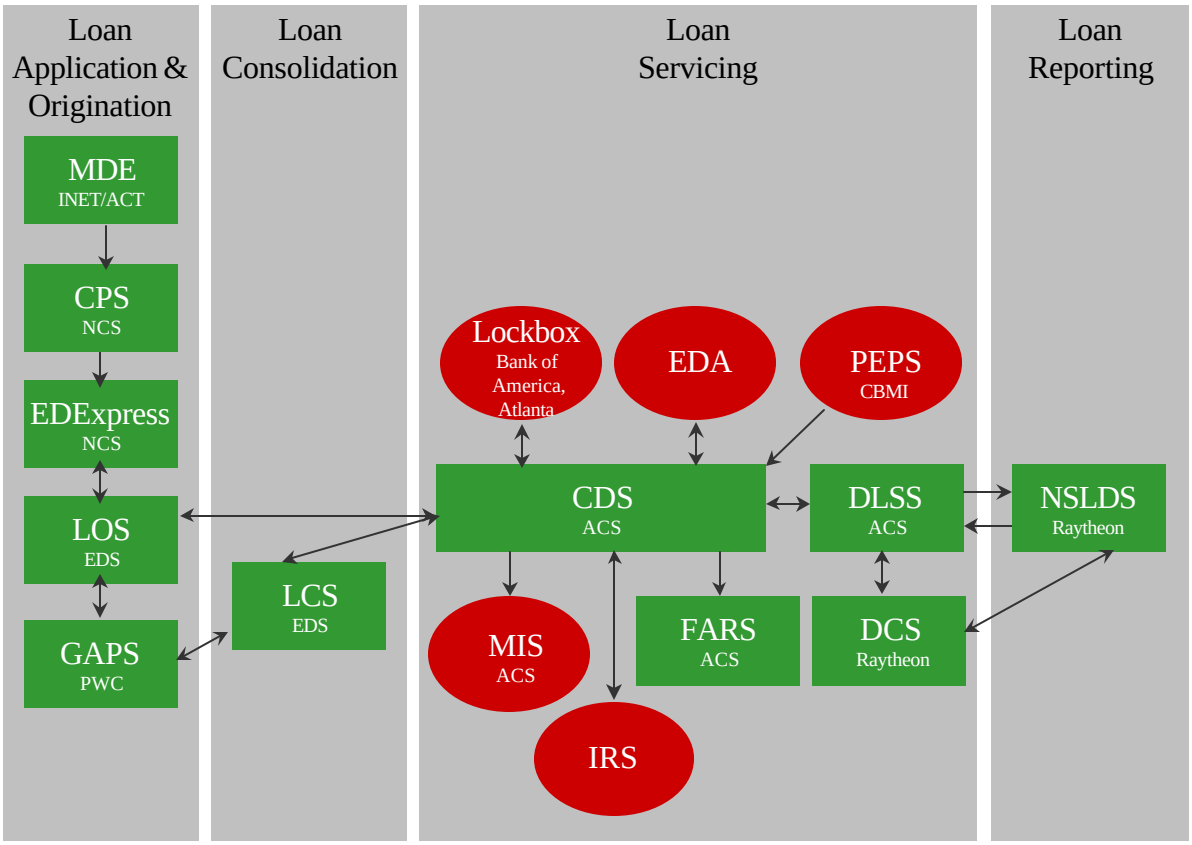

Figure 3-1. High Level System Flow Map

The purpose of this section is to graphically depict the system interfaces focusing on the Central Processing System (CPS), EDExpress, Loan Origination System (LOS), Loan Consolidation System (LCS), Central Data System (CDS), and Loan Servicing System (DLSS).

The borrower completes the FAFSA through FAFSA Express, FAFSA on the web, paper, schools, and 3rd Party Servicers. Paper FAFSA's are imaged by the Multiple Data Entry System (MDE). All FAFSA information is sent to the Central Processing System. CPS then edits data and performs matches against INS, SSA, DOJ, Selective Service, and NSLDS. CPS calculates the Expected Family Contribution and generates the Institutional Student Information Report (ISIR) and the Student Aid Report (SAR).

EDExpress builds the origination record from the ISIR received from CPS. EDExpress then forwards the origination record and disbursement record to the Loan Origination System.

The Loan Origination System receives loan and borrower information from the schools through EDExpress or custom software. LOS books a loan onto the system once a loan origination record, a promissory note, and a disbursement record are received. PLUS loans are booked after receiving an approved credit check. After the loan is processed it is forwarded to the Loan Servicing System via CDS.

The Loan Consolidation System receives loan consolidation applications from borrowers by web, phone, mail, and courier. LCS interfaces with the borrower, lenders, NSLDS, IRS, and DLSS via CDS to gain all necessary loan information and complete all actions to consolidate a borrower's loans. LCS forwards the new consolidated loan file to the Loan Servicing System via CDS.

The Central Data System serves as a database and a router interfacing with multiple systems. CDS transfers information from loan origination and loan consolidation to the servicing system to book loan and borrower information. CDS is the main financial interface to Lockbox, EDA, and FARS accounting. CDS also maintains images and IRS waivers data.

The Loan Servicing System maintains the loan and borrower information. DLSS tracks loans received for the life of the loan from the booking process through payment in full by the borrower or until the loan is passed to the Debt Collection System (defaulted loan). Main interfaces include customers, schools, CDS, and NSLDS.

3.1.2 Direct Loan Program's System Cost and Volume Summary

The information in this section is based on Fiscal Year 1999 actual and/or budgeted amounts and was provided by the Department of Education for Loan Origination, Loan Consolidation, and Loan Servicing. Table 3-1 provides a summary for 5 systems in the Direct Loan systems infrastructure.

Table 3-1. Budget/Actual Cost Summary Fiscal Year '99*

System	Deliverables	Ad Hoc	Development	Key Personnel	VDC	Total	Units	Total Unit Cost
Central Processing**							Applications:	
Loan Origination							Originations:	
Loan Consolidation							Consolidations:	
Central Data							Average Loans:	
Loan Servicing							Average Loans:	
Total								

For Cost Information Contact Dan Hayward

* Deliverables, Key Personnel, and VDC are actuals.

* Ad Hoc and Development are budgeted amounts.

This section includes a summary listing budgeted/actual cost summaries for deliverables, ad hoc information, development, and key personnel.

Total expenditures per deliverable are determined by using the unit pricing schedule for the associated system. The pricing schedule includes a base pricing volume, base volume price, 200% volume price, and an over 200% unit price.

3.2 Direct Loan Servicing Reengineering Options

The Direct Loan Servicing Reengineering IPT developed several opportunities for reengineering options. The analysis led to six options that the team recommends to help SFA reach its goals of:

- improve customer satisfaction
- reduce unit costs
- improve employee satisfaction

The research and analysis of the processes and systems within SFA revealed the opportunities to improve inefficiencies and reduce unit costs as summarized in Table 3-2.

Table 3-2. Reengineering Options and Recommendations

Reengineering Option	Final IPT Recommendation
Retirement of the Central Data System (CDS)	Make this option the first priority and develop a business case
eServicing Implementation	Merge with EBPP option and begin development of a business case
Electronic Bill Payment and Presentment (EBPP)	Merge with eServicing option and begin development of a business case
Streamlined Servicing Processes	Develop as a normal course of business, no IPT involvement needed
Loan Scoring	Consider development as a normal course of business, no IPT involvement needed Maintain focus on providing assistance to borrowers
Single System/Multiple Servicers	Cancel, do not pursue

Each option was examined for the business problem, recommendations, benefits, net benefit, risks, and systems affected. This information was used by the core team to prioritize the options. At the January 21, 2000 core team meeting, the decision was made to immediately pursue the Retirement of CDS and eServicing Implementation. The decision to combine EBPP with eServicing was also made. The decision to move forward with the development of a conceptual design and business case on these options was finalized at the February 9, 2000 core team meeting when the options were presented to the IPT sponsor. The core team reached a consensus to hand over the Streamline Consolidation Process to the loan consolidation team for more exploration. Consensus was also reached to have the DCS team explore the further possibilities for the option to Streamline Collections / Due Diligence. Both of these processes are to be pursued as a normal course of business without the IPT.

Retirement of the Central Data System

CDS is a data routing system originally designed to support a multiple loan servicer environment. In 1997, the Department of Education decided to postpone implementing a multi-servicer environment but retained CDS as a means of keeping the alternative viable. CDS has 12 basic functions. Five of these functions relate to routing information and can be eliminated since they are duplicated in other systems that support the Direct Loan Program. The remaining seven functions must be retained and will therefore be incorporated into the Loan Servicing and Loan Origination systems.

Business Problem:	• Same information is captured multiple times • Inconsistent data which is difficult to manage • Inefficiencies and additional costs
Potential Solutions:	• Retire redundant CDS functions to reduce costs • Move retained functions to the Direct Loan Servicing System and Loan Origination System • Implement a Data Warehouse for better, more flexible reporting capabilities
Benefits:	• Reduce the complexity of the Direct Loan Program's systems infrastructure • Reduce costs • Remove duplicate functionality in the Direct Loan systems • Reduce number of interfaces, system maintenance requirements, balancing, and reconciling • Provide for more consistent data between servicing systems
Net Benefit:	• Greater than $10 million per year
Risk:	• Conflicting releases for LOS, DLSS, and CDS • Migration activities, including VAX to Alpha upgrade and relocation to the Virtual Data Center
Systems (Vendors) Affected:	• CDS (ACS) • DLSS (ACS) • LOS (EDS) • LCS (EDS)
Final IPT Recommendation:	• Make this option the first priority and develop a business case

eServicing Implementation

As the total number of loans in the Direct Loan portfolio increases and the portfolio matures as more loans enter repayment, the Servicing system faces a significant monetary and technical challenge in maintaining the highest level of customer service. As the electronic commerce component of Direct Loan Servicing, eServicing will shift significant volumes of servicing activities to the Internet, providing constant, consistent, state-of-the-art service to Direct Loan customers.

Business Problem:	• Delays in updates to customer information • Inconsistencies in customer records across systems
Potential Solutions:	• Develop a Web-enabled system which allows the customer to view and maintain key data on a real-time basis • Enhance existing functionality to allow the customers access to loan activity and payoff information • Enhance customer service interface to provide more accurate, updated information to the customer
Benefits:	• Enable the customer to “own” their own data • Lower overall customer support costs • Allow for more accurate data • Improve customer satisfaction • Enhance delivery channels to customers • Implement industry best practices
Net Benefit:	• Greater than $10 million per year (with increasing adoption rates)
Risk:	• Data accuracy and data availability • Limitation of the technical architecture • Utilization by the customer • Limitations of customer service resources • Customer satisfaction
Systems (Vendors) Affected:	• DLSS (ACS) • Potential to affect LCS (EDS) and DCS (Raytheon)
Final IPT Recommendation:	• Merge with EBPP option and begin development of a business case

Electronic Bill Payment and Presentment

The transition from monthly paper billing to Electronic Debit Account (EDA) or Electronic Bill Presentment and Payment (EBPP) provides fulfillment cost savings and a strong deterrent from delinquency. EBPP is a component of a complete electronic Servicing environment which provides low cost, highly efficient service to borrowers.

Business Problem:	• Limited channels for bill payment and presentment • EBPP exist in other environments • Customers expect electronic payment options
Potential Solutions:	• Develop an electronic billing and presentment module which allows the customers several electronic payment options (credit card, electronic check, electronic debit, electronic fund transfer)
Benefits:	• Enable the customer to have more control over payments • Lower number of defaults • Lower costs • Improve customer satisfaction • Enhance delivery channels to customers • Implement industry best practices
Net Benefit:	• $4 million per year with average customer utilization
Risk:	• Security • Utilization and acceptance by customer • Complex transactions that require specialized customer service for error handling • Cost may outweigh benefit if utilization is low
Systems (Vendors) Affected:	• DLSS (ACS)
Final IPT Recommendation:	• Merge with eServicing option and begin development of a business case

Streamlined Servicing Processes

Processes have developed through ad hoc requirements. Inefficiencies can be corrected by redesigning the processes for the requirements of all the stakeholders. The processes for Due Diligence / Collections and Consolidations are the two most prominent areas for redesign.

Streamline Due Diligence and Collections

Business Problem:	• Duplicate collections functions in DCS and DLSS • Inefficient and inconsistent processes resulting in increased turnaround times
Potential Solutions:	• Review the Due Diligence process from Direct Loan Servicing and the Collection process from DCS and consolidate duplications • Analyze and simplify technical and support processes • Train existing support staff on new processes
Benefits:	• Provide for more operating efficiency • Enhance existing operating model • Reduce costs and redundancy in processes and systems • Improve customer satisfaction
Net Benefit:	• Not determined
Risk:	• Disruption in production • Transition period for staff during adoption of new processes
Systems (Vendors) Affected:	• DCS (Raytheon) • DLSS (ACS)
Final IPT Recommendation:	• Develop as a normal course of business, no IPT involvement needed

Streamline Consolidation Processing

Business Problem:	• Certification process is too time consuming and not best practice • Excessive costs • Increased turnaround times
Potential Solutions:	• Eliminate certification process and use best available information—customer statements or alternative databases • Analyze and simplify technical and support processes
Benefits:	• Improves speed of delivery, services, and customer satisfaction • Provide for more operating efficiency • Enhance existing operating model • Reduce costs and consolidation turnaround times
Net Benefit:	• Not determined
Risk:	• May require additional work in under/overpayment handling to ensure payoff amounts are accurate • Regulations may preclude this alternative
Systems (Vendors) Affected:	• LCS (EDS) DLSS (ACS)
Final IPT Recommendation:	• Develop as a normal course of business, no IPT involvement needed

Loan Scoring

Analysis of the loan portfolio allows for the opportunity to lower default rates and late payments through concentrating on educating the high risk areas of the portfolios and providing assistance to borrowers.

Business Problem:	• Inefficient debt collections activity and high loan default rates.
Potential Solutions:	• Develop a behavioral scoring system • Develop related processes for targeted debt collections activities
Benefits:	• Create a more efficient debt collections activity • Reduce collections costs • Improve collection recovery • Implement industry best practices
Net Benefit:	• Not determined
Risk:	• Fairness in the implementation across all customer profiles • Increased customer service activity
Systems (Vendors) Affected:	• DLSS (ACS) • DCS (Raytheon)
Final IPT Recommendation:	• Consider development as a normal course of business, no IPT involvement needed • Maintain focus on providing assistance to borrowers

Single System/Multiple Servicers

Multiple servicers working with multiple systems causes a disparity in data and redundancy in costs. Process improvement and consolidation will reduce service errors, time, and costs.

Business Problem:	• Multiple servicers using multiple systems for the same purpose • Duplicate data in multiple locations • Inconsistent customer service • Inefficient Processes • Unnecessary cost
Potential Solutions:	• Design or select one vendor package for all servicers
Benefits:	• Reduce system complexity • Provide for efficiencies of scale • Lower support and maintenance costs • Provide for more control of quality • Provide more consistent data, processes, and service • Implement industry best practices
Net Benefit:	• Less than $5 million per year • Could result in increased costs
Risk:	• Interruption in production during data migration and system integration • Potential data inconsistencies • Impact to training, communication, and coordination
Systems (Vendors) Affected:	• DLSS (ACS)
Final IPT Recommendation	• Cancel, do not pursue

Impact on the Modernization Principles

The opportunities to reengineer system interfaces and processes within SFA offer the chance to significantly reduce costs and improve customer satisfaction while beginning to improve employee satisfaction. These opportunities also present the ability to implement industry best practices at SFA. The level of impact on each principle is shown in Figure 3-2.

	SFA Modernization Principle		
Opportunity	**Reduce Costs**	**Improve Customer Satisfaction**	**Improve Employee Satisfaction**
Retirement of the Central Data System	●	◍	◍
eServicing	●	●	◍
Electronic Bill Payment and Presentment	●	◍	○
Streamline Servicing Processes	◍	◍	◍
Loan Scoring	◍	◍	○
Single System / Multiple Servicers	○	◍	○

● = High Impact ◍ = Medium Impact ○ = Low Impact

Figure 3-2. Impact on SFA Modernization Principles

4.0 Appendix

Table 4-1. Core Team Meetings

Date	Overview of Discussion
November 8, 1999	• Reviewed the difference between Core/Advisory/Contractor & Partner/Customer groups • Decision to baseline costs by using contractor information and CFO data
November 22, 1999	• Discussed refinement of IPT scope, new IPT name, status update, and calendar schedule • Established dates for focus group meetings, financial best practice sessions, SFA best practices/lessons learned, and contractor forums
December 20, 1999	• Scheduled contractor meetings to receive presentations of ideas and business cases • Discussed potential speakers and topics for Best Practices sessions • Discussed Students Focus Group topics and dates • Discussed development of a method for other SFA resources to suggest reengineering options and the risks of overlapping other IPTs
January 13, 2000	• Rescheduled Best Practices session with Freddie Mac • Reviewed the DLSR IPT Scope and approaching deliverables – Current Environment Assessment – Reengineering Options List & Analysis – Business Case (details on selected reengineering options)—conceptual design – Call Center (out of scope) • Discussed potential top three reengineering options of: CDS Retirement, eServicing, and EBPP
January 21, 2000	• Determined that DLSR IPT should focus on CDS retirement and eServicing combined with EBPP as the first reengineering opportunities • Determined to begin business case work on reengineering options • Reviewed purpose and constraints of the DLSR IPT • Determined that DCS should be included in scope
February 9, 2000	• Reviewed scope of DLSR IPT – Completed School Focus Group Internal Best Practices Current Environment Assessment • Postponed Student Focus Group • Discussed Business Case and Conceptual Designs for CDS Retirement and eServicing/EBPP • Decided to complete business case for Loan Scoring in the summer of 2000 • Determined to conduct more research and revisit – Streamline Consolidation Process – Multiple Servicers – Streamline Collections/Due Diligence
March 28, 2000	• Presented the draft business case for the retirement of CDS